

20 JUL 2022

Fitch Upgrades PartnerRe Following Acquisition by Covea; Outlook Stable

Fitch Ratings - Chicago - 20 Jul 2022: Fitch Ratings has upgraded PartnerRe Ltd.'s (PRE) Issuer Default Rating (IDR) to 'A' from 'A-' and senior unsecured debt ratings to 'A-' from 'BBB+'. Fitch has also upgraded the Insurer Financial Strength (IFS) rating of Partner Reinsurance Company Ltd., the company's principal reinsurance operating subsidiary, to 'AA-' (Very Strong) from 'A+' (Strong), and removed all ratings from Rating Watch Positive. The Rating Outlook is Stable.

Key Rating Drivers

Fitch's upgrade follows the recently completed acquisition of PRE by Covea Cooperations S.A., a French mutual insurer, from EXOR N.V. for total cash consideration of \$9.1 billion (EUR7.9 billion). EXOR purchased PRE for \$6.9 billion in March 2016.

The upgrade reflects a one-notch ratings uplift due to the change in ownership to Covea. Fitch does not maintain public ratings on Covea but does internally monitor the company's consolidated credit quality, which Fitch considers to be superior to PRE's standalone 'A+' IFS assessment. As such, ownership by Covea, a larger property/casualty (P/C), health and life insurance organization, benefits PRE's ratings under a group credit approach. Fitch viewed EXOR's ownership as neutral to PRE's ratings and as less strategic than the new ownership by Covea.

Fitch views PRE's strategic importance to Covea as "Very Important" per Fitch's group rating methodology as PRE's size makes it a significant addition to Covea with potential synergies with the larger insurance group as a whole. Furthermore, this assessment could improve to "Core" after a period of seasoning under Covea ownership. PRE provides Covea diversification outside of France, as Covea maintains a leading market position in French P/C, but has minimal global reinsurance business. PRE writes a diverse international mix of property, casualty, specialty, and life and health reinsurance products.

Fitch expects Covea to offer reasonable support to PRE as needed and to conservatively manage the reinsurers' capitalization. Fitch also expects PRE to continue to manage its operations generally independent of Covea, as PRE had done under EXOR ownership.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Deterioration in Fitch's view of Covea's consolidated credit quality; weakening in PRE's strategic importance to Covea to 'Limited Importance';

--Decline in PRE's standalone IFS assessment to 'A-' or lower as evidenced by sustained reported combined ratios above 105%; failure to maintain at least a 'Strong' Prism score; an FLR above 30%;

--Hybrid securities ratings could also be lowered by one notch to reflect higher nonperformance risk should Fitch view Bermuda's regulatory environment as becoming more restrictive in its supervision of (re)insurers with respect to hybrid features.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Improvement in Fitch's view of Covea's consolidated credit quality, while PRE maintains a strategic importance to Covea of at least 'Important'.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
PartnerRe Finance B LLC			
• senior unsecured ^{LT}	A-	Upgrade	BBB+ 
• junior subordinated ^{LT}	BBB+	Upgrade	BBB 
Partner Reinsurance Company Ltd.	Ins Fin Str AA- 	Upgrade	A+ 
PartnerRe Ltd.	LT IDR A 	Upgrade	A- 
• preferred ^{LT}	BBB+	Upgrade	BBB 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• junior subordinated LT	BBB+	Upgrade	BBB ◊
PartnerRe Ireland Finance DAC			
• senior unsecured LT	A-	Upgrade	BBB+ ◊

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Insurance Rating Criteria \(pub.15 Jul 2022\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Partner Reinsurance Company Ltd.	EU Endorsed, UK Endorsed
PartnerRe Finance B LLC	EU Endorsed, UK Endorsed
PartnerRe Ireland Finance DAC	EU Endorsed, UK Endorsed

PartnerRe Ltd.

EU Endorsed, UK Endorsed

Non-Participating Unsolicited Issuers

PartnerRe Ltd.

Partner Reinsurance Company Ltd.

PartnerRe Ireland Finance DAC

PartnerRe Finance B LLC

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